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Agenda Item 5b

November 15, 2011

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. SUBJECT:** Fiscal Year 2011-12 Health Budget Change Proposal
- II. PROGRAM:** Administration
- III. RECOMMENDATION:**
- (1) The Committee recommends the Board of Administration (Board) accept an increase of \$202,000 and 2.0 limited-term positions to the Contingency Reserve Fund (CRF) in FY 2011-12 for a total CRF budget of \$26,926,000 and recommends the Board approve this revised budget.
 - (2) The Committee recommends the Board accept a decrease to the Public Employees' Retirement Fund (PERF) of \$202,000 in FY 2011-12 for a total PERF budget of \$284,469,000 and recommends the Board approve this revised budget.
 - (3) The Committee recommends the Board approve the transmittal of this agenda item to the Joint Legislative Budget Committee and Fiscal Committees of the Legislature, the State Controller, and the Department of Finance, in accordance with the 2011 Budget Act, and to the Legislative Analyst's Office and the State Consumer Services Agency.

IV. ANALYSIS:

The increase to CRF represents a Budget Change Proposal that was approved in the 2011 Budget Act for \$202,000 and 2.0 limited-term positions to address additional workload issues in Health Receivables and Medicare enrollment. In order to maintain a no growth budget, CalPERS will offset the increase in the CRF funding by reducing the PERF. Therefore, a decrease of \$202,000 to the PERF is requested. Since the CRF and PERF appropriations are part of the CalPERS Administrative Budget, the Budget will remain unchanged at \$334,196,000 with no additional increase or decrease to the overall Administrative Budget (Attachment 1).

V. RISK:

If this recommendation is not approved by the Board, CalPERS Administrative Budget will not reflect the CRF budget amount approved in the 2011 Budget Act. Since the FY 2011-12 CRF appropriation is already established in the State Controller's Office account, not approving this recommendation will not accurately reflect the current CRF authority. CalPERS will also not have the opportunity to make these positions permanent.

VI. STRATEGIC PLAN:

This item is not a specific product of the Strategic Plan. Therefore, it is brought to the Committee and the Board because it provides important information to members and it fulfills the requirements of provisional language included in the Budget Act of 2011.

VI. RESULTS/COSTS:

There is no change to the CalPERS current FY 2011-12 Administrative Budget of \$334,196,000. Recommendations contained in this agenda item will take effect upon the approval of the Board at the November 16, 2011 meeting.

DAVE G. CORNEJO, Acting Division Chief
Fiscal Services Division

RUSSELL G. FONG
Acting Chief Financial Officer